



2009-2010 Budget Forecast

May 13, 2008





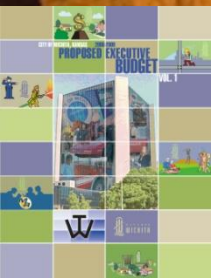
Calendar

Feb – March - Reviewed revenue, expenditures and balances and policy issues.

April - Departments presented strategic issues

May 13 - Preliminary General Fund financial forecast

June - Additional budget issues and feedback





Calendar

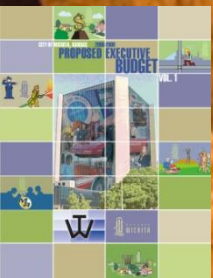
July 15 - Manager presents budget to Council

July 22 – Council sets maximum mill levy, authorizes publication

August 12 - Council Adopts 2009 Budget

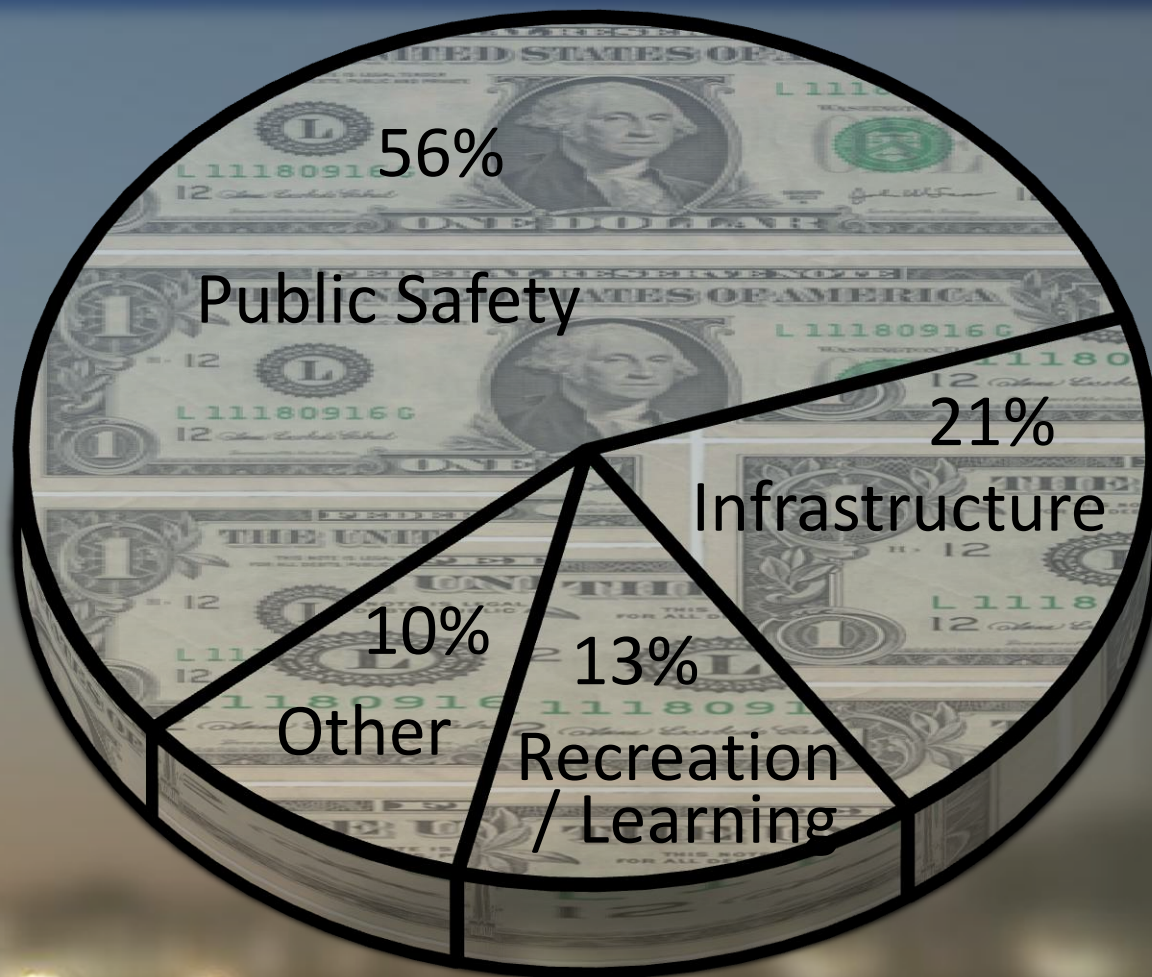
Possible workshops: July 15, July 22, July 29, August 5

Possible public hearings: July 22, July 29, August 5, August 12



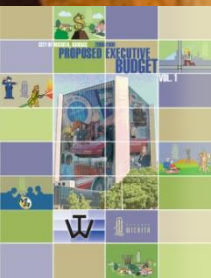
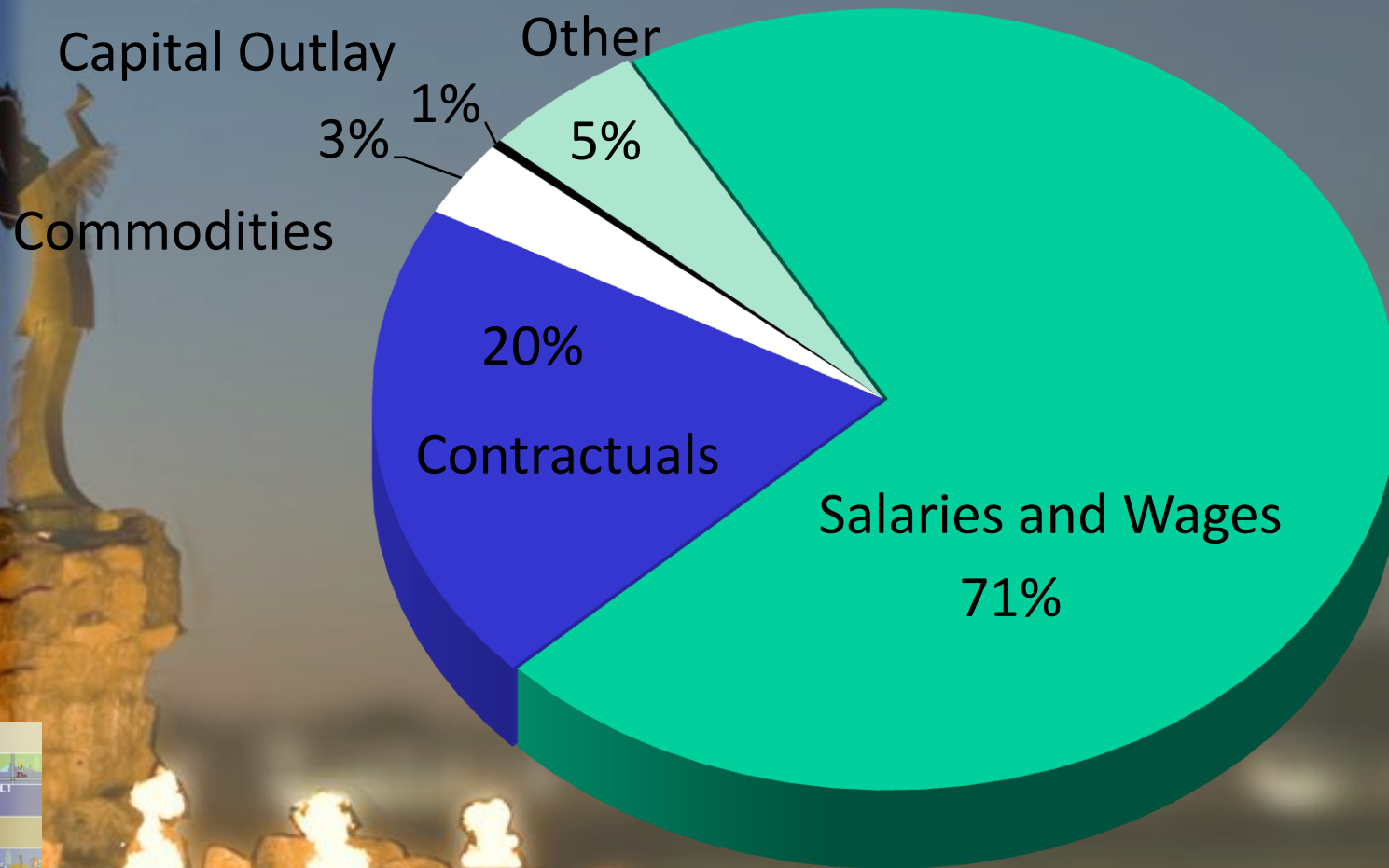


Expenditures by Area – General Fund





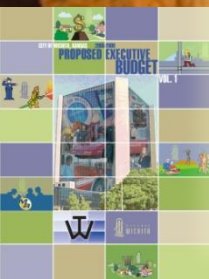
Expenditures by Type – General Fund





Different Environments for the General Fund

2000 – 2007	2008 – 2013
Shifted \$8m in transfers to operating costs	No transfers left to shift
Stable gasoline prices	Volatile and increasing gasoline prices
Decreasing pension costs	Gradually increasing pension costs
Moderate wage growth (new pay matrices)	Higher wage growth (mature pay matrices)





General Fund Revenues (2008 As Base Year)

<u>Source</u>	<u>Amount</u>	<u>Future Growth</u>
Property Taxes	\$64 million	4-5 %
Franchise Fees	\$33 million	3%
City Share of County Sales Tax	\$26 million	3% – 4%
Gas Tax	\$16 million	Flat
Transfers	\$9 million	Decreasing
Other	<u>\$48 million</u>	2%
TOTAL	\$196 million	3%

Note – figures are in millions of dollars





Assessed Valuation Growth

Year	Assessed Valuation	Assessed Valuation Growth	Personal Property % of Growth	Territory Added % of Growth	New Improvement % of Growth	Reappraisal % of Annual Growth
2002	2,190,263	5.4%	-0.9%	1.4%	1.5%	3.4%
2003	2,281,662	4.2%	0.0%	0.3%	1.4%	2.4%
2004	2,458,947	7.8%	0.2%	0.0%	1.6%	6.0%
2005	2,545,942	3.5%	-0.2%	0.0%	1.3%	2.4%
2006	2,668,036	4.8%	0.4%	0.1%	2.2%	2.1%
2007	2,833,713	6.2%	0.0%	0.3%	3.2%	2.8%
2008	2,992,305	5.6%	-1.1%	0.0%	3.0%	3.7%
2009	3,141,921	5.0%	-1.2%	0.0%	2.9%	3.3%
2010	3,286,763	4.6%	-1.0%	0.0%	2.2%	3.4%
2011	3,431,709	4.4%	-0.8%	0.0%	1.8%	3.4%
2012	3,596,088	4.8%	-0.7%	0.0%	2.1%	3.4%
2013	3,770,225	4.8%	-0.9%	0.0%	2.3%	3.4%





Distributions from the County-wide Sales Tax

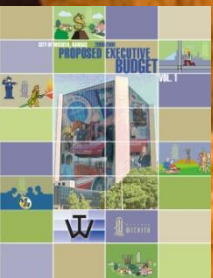
- Higher than normative growth (4%) is expected in 2008, returning to normative growth in the future





Franchise Fees

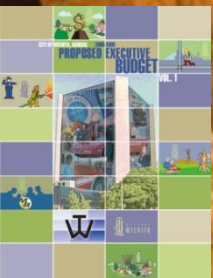
- For 2008, electricity should increase significantly (rebate in 2007 reduced the base); Water and Sewer fees will decrease in 2008 (based on 2007 revenue, which was down)
- Longer term, normative growth is projected





Intergovernmental Revenues

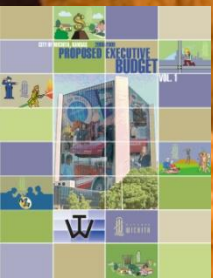
- Significant risks are inherent
- Gas Tax is forecasted conservatively, but it may be too optimistic (\$16.2 million)
- M&E Mitigation payments are difficult to estimate (\$2.2 million)
- A continuation of longstanding County support for Cowtown is included (\$300,000)
- LAVTR is budgeted in 2010, consistent with State statutes; however, it may be speculative (\$371,000 in 2010)





Transfers

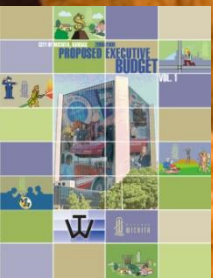
- The forecast has eliminated non-recurring transfers after 2008 (\$800,000 in 2008 only)
- The Landfill Post Closure transfers (to the General Fund) may be problematic in the future (in the past \$845,000 was transferred)





Expenditure Priorities

- One Mill for Cultural Arts (per City Council ordinance)
- Operation of Cowtown (based on City Council action in August 2007)
- Continued funding for affordable air fares
- Fund pension costs (required by State statute, with some latitude)
- Funding union wages and health insurance costs (required by contract through 2009)

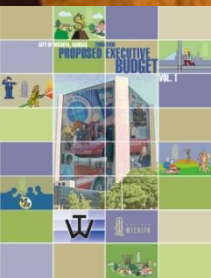




General Fund Expenditures (2008 As Base Year)

<u>Source</u>	<u>Amount</u>	<u>Future Growth</u>
Wages	\$113 million	4%
Health Insurance	\$15 million	10%
Pension Costs	\$13 million	7%
Fleet Charges	\$9 million	5%
Other	\$42 million	2%
Cultural Arts	\$3 million	4-5 %
Cowtown	\$1 million	2%
Low Air Fare	<u>\$1 million</u>	0%
TOTAL	\$197 million	4%

Note – figures are in millions of dollars

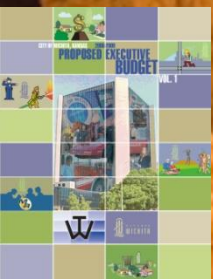




Retirement Contributions

- By statute, contributions must be based on actuarial recommendations
 - The City has been conservative, leading to retirement funds that are the envy of nearly every other city
 - Conservative contributions allow for rate stability
- For planning purposes the following rates are assumed

	<u>Range</u>	<u>Rate</u>	<u>Normal Cost</u>	<u>Amount</u>
P&F	16.8 – 17.5	17.5	17.5	\$8.8 million
WER	4.2 – 8.4	5.5	8.4	\$4.2 million





Health Insurance

- Employer contributions for 2008 are based on the Coventry contract; 2009 are set at 80% in union agreements
- Growth in 2008 was only 4%; 10% growth is forecasted for the out years
- Past growth is volatile, but around 10% annually.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
GF Expenditures (millions)	\$14.0	\$14.6	\$16	\$17.6	\$19.4	\$21.3	\$23.4
Growth		4%	10%	10%	10%	10%	10%





Fleet Expenditures

- Fleet costs are a large unknown
 - Costs are driven by two factors: fuel costs and replacement of vehicles
 - General Fund fleet costs are largely in Police (around 50%)
 - Costs could be reduced by lower fuel prices, slower replacement of vehicles, modification of operating practices

Fleet Costs	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
GF Expenditures (millions)	\$7.9	\$8.9	\$9.3	\$9.8	\$10.3	\$10.8	\$11.4
Growth		13%	5%	5%	5%	5%	5%



Wage Growth

- Largest General Fund expense
- Wage growth due to union agreements, new positions and turnover (or lack thereof)
- Growth rates for 2010 – 2013 are speculative
- Wage estimates will be refined in the next few weeks
- Wage growth assumptions are critical to the General Fund forecast

Wages	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
GF Expenditures (millions)	\$108.5	\$112.8	\$117.4	\$122.0	\$126.9	\$132.0	\$137.3
Growth		4%	4%	4%	4%	4%	4%



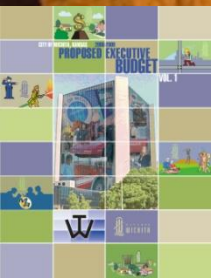
Expenditure Issue Decisions

Potential Expenditures NOT included:

- Jail fees - \$3 million?

Future Council Actions that will affect the General Fund:

- Union contracts beginning in 2010
- Pension contribution rates
- Health Insurance renewal
- Other policy decisions





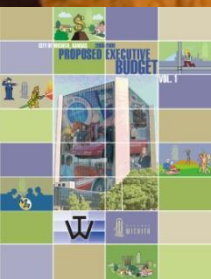
Assumptions and the General Fund Forecast

Importance of the Assumptions:

- too conservative: service levels are inappropriately set too low
- too liberal: masks reality and increases probability for a cataclysmic change, rather than gradual adjustments

Main Assumptions:

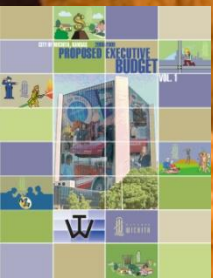
- No change in current policies or service levels
- Salary and Wage Assumptions (10% health increase, 4% base increase)
- Continued high gas prices





General Fund Outlook

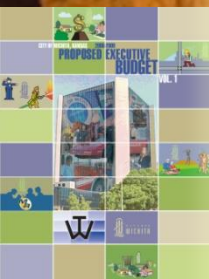
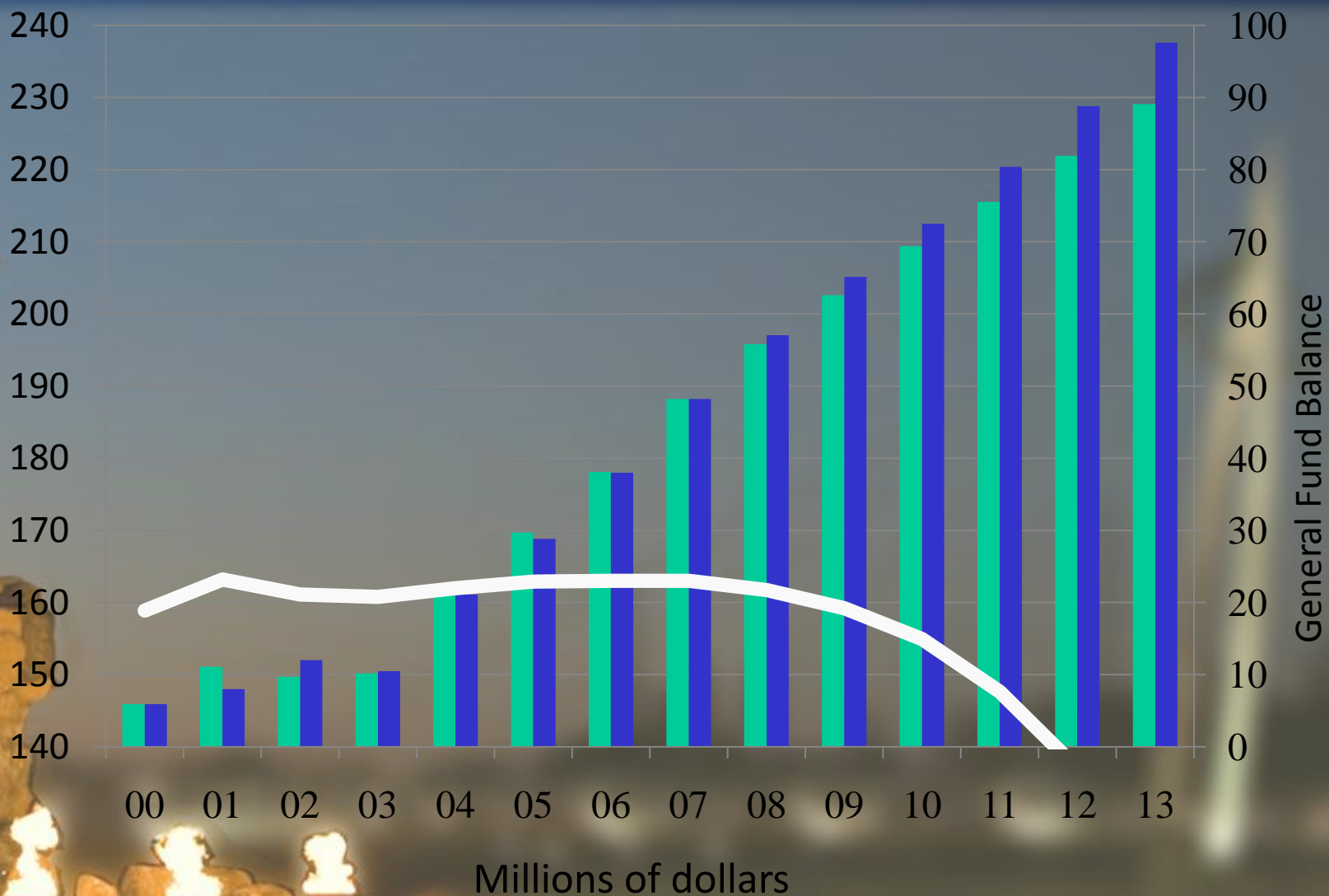
- Intended as a preliminary first look, most likely will not be accurate (will be changed by better information and policy direction)
- Large issues (stable fuel prices, reductions in transfers out, lowering pension costs) no longer exist to bail out the General Fund





General Fund – 2008 - 2013

Expenditures / Revenues

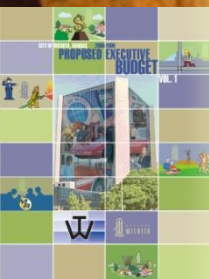
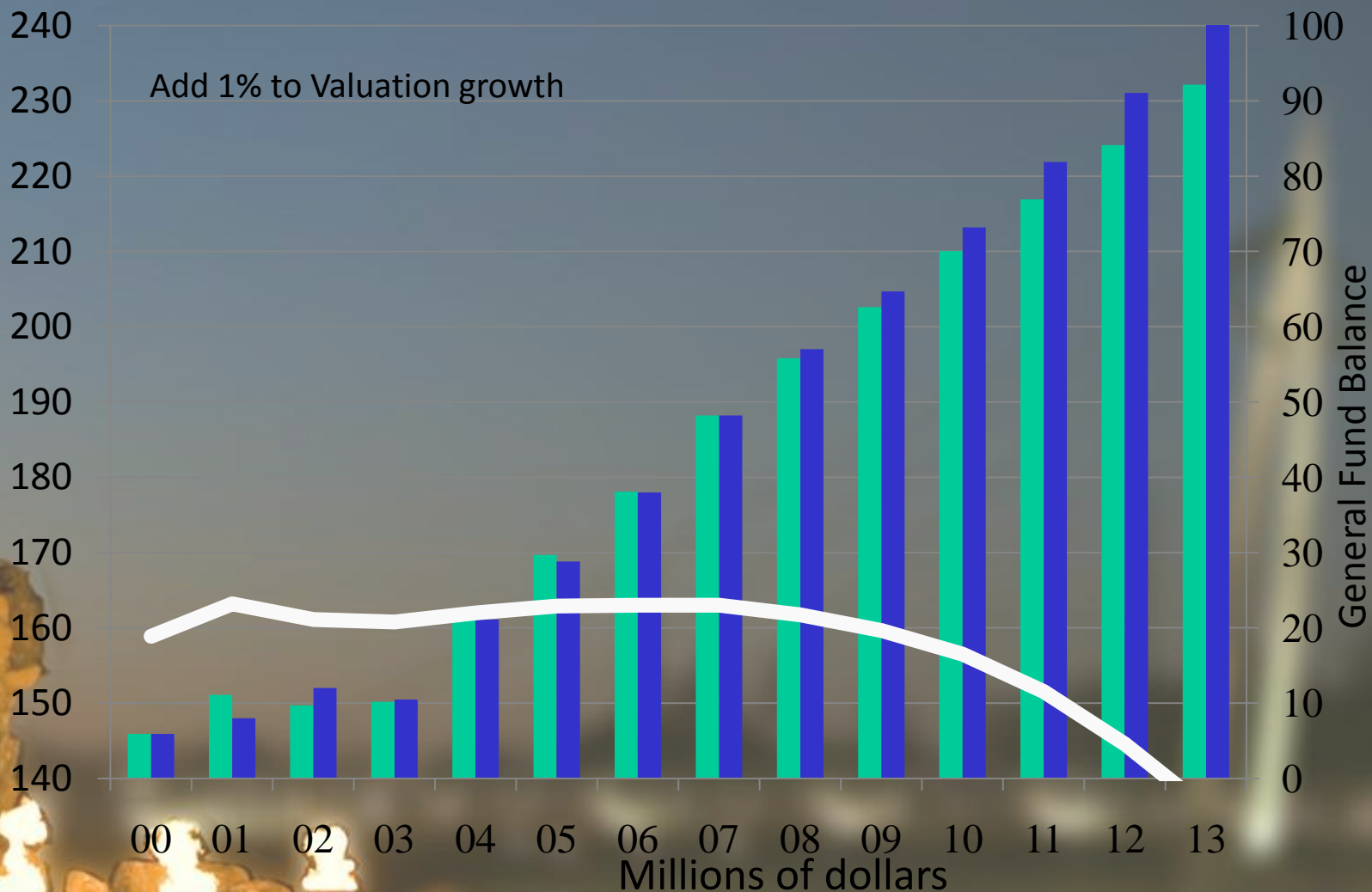




General Fund – 2008 – 2013

With Most Optimistic Revenue Assumption

Expenditures / Revenues

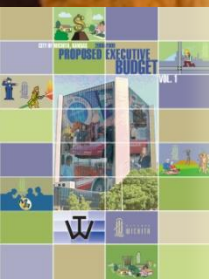
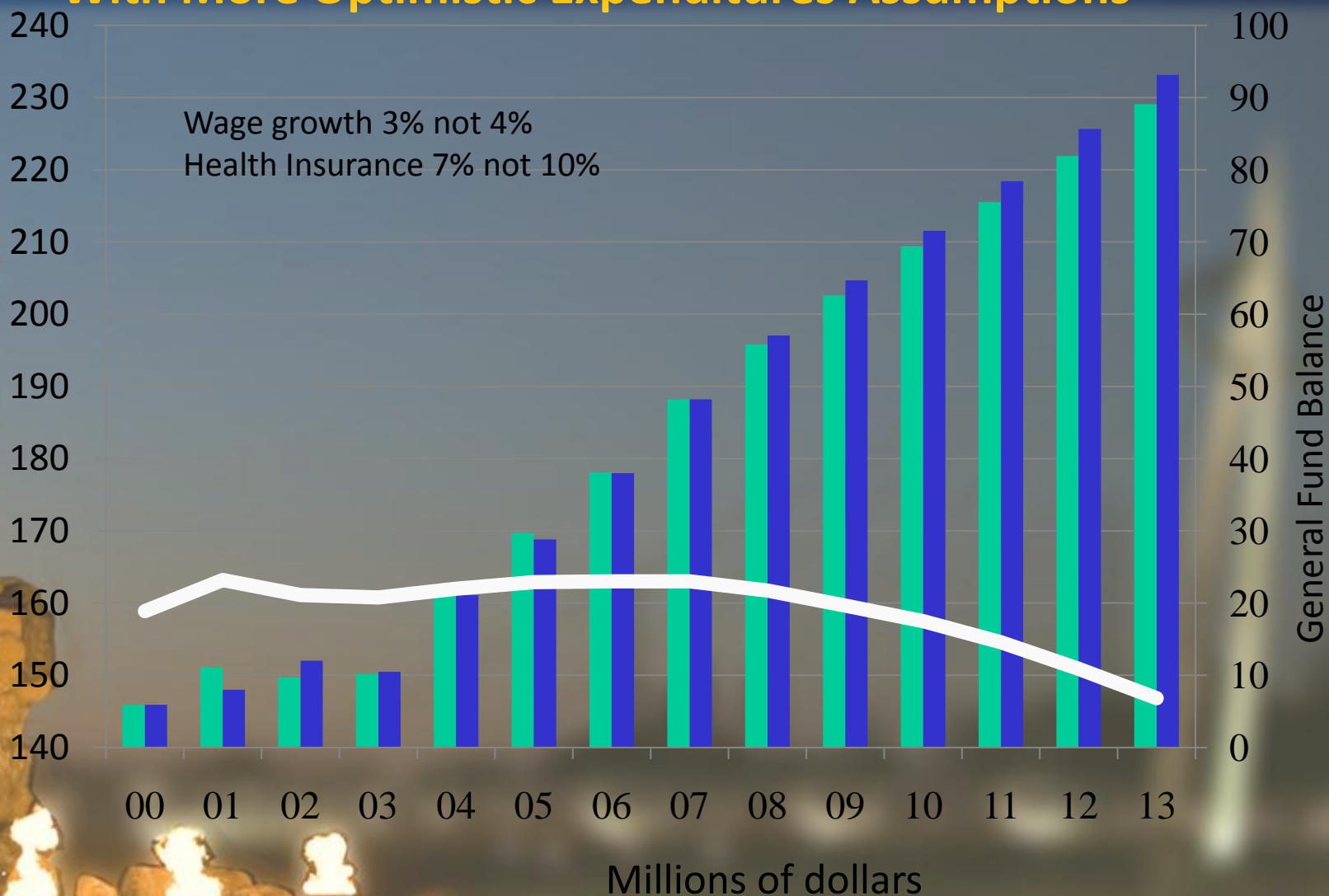




General Fund – 2008 – 2013

With More Optimistic Expenditures Assumptions

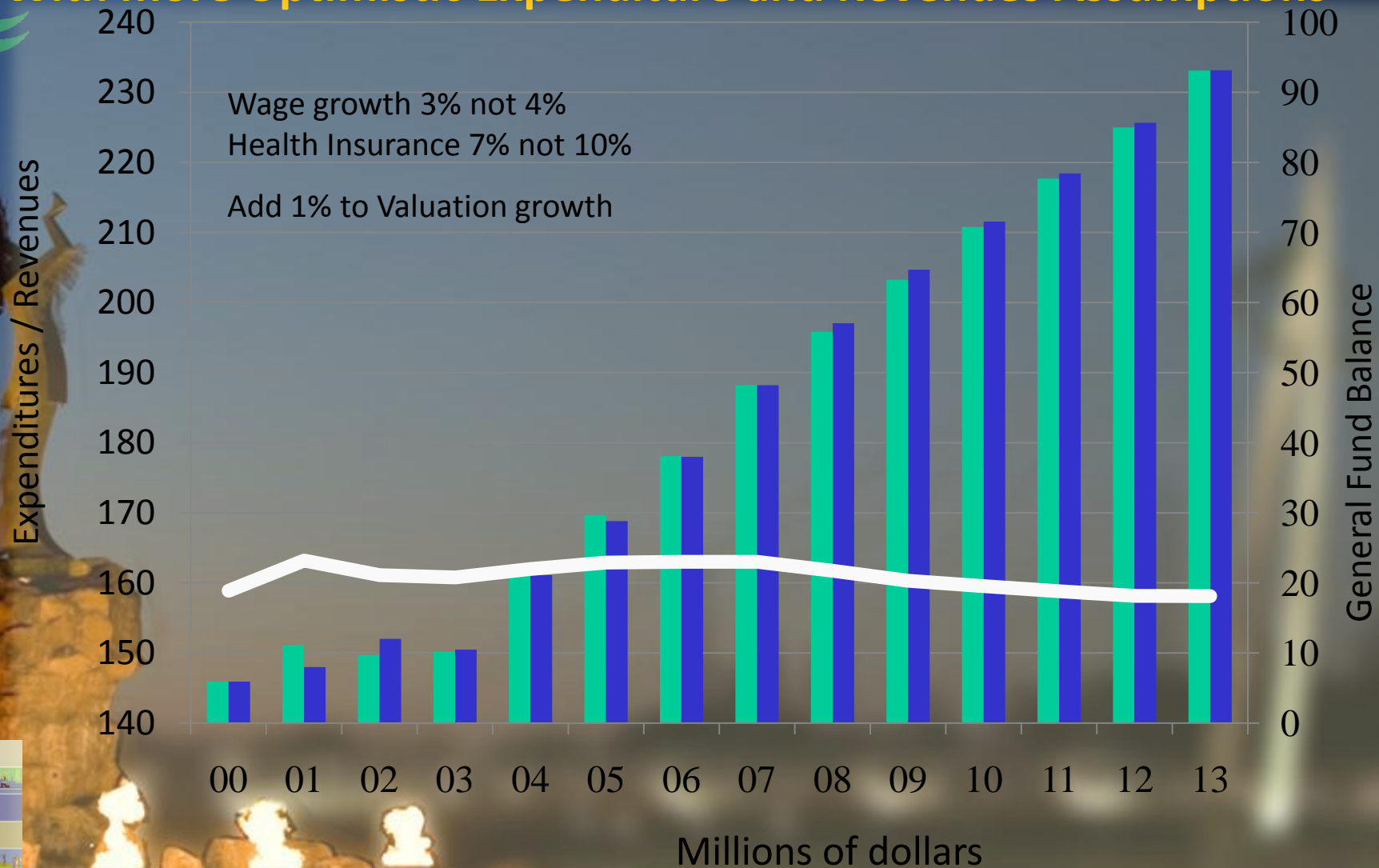
Expenditures / Revenues





General Fund – 2008 – 2013

With more Optimistic Expenditure and Revenues Assumptions





Policy Decisions that Can Change the Outlook

- Re-balancing revenue portfolio
- Eliminating / adding to current programs
- Changing the Debt Service Mill levy allocation (10 mills to debt service)
- Changing the Cultural Arts Mill levy dedication (1 mill)
- Increasing Annexation Activity
- Changing Revenue rates
- Changing Fund Balance policies





Additional Discussion

